

COVID-19 ECONOMIC RESPONSE PLAN



The federal government has enacted several measures aimed at stabilizing the economy as a result of COVID-19. Below is a summary of Canada's COVID-19 Economic Response Plan, reflecting key measures announced as of December 15, 2020. For additional information, please refer to the federal government website: <https://www.canada.ca/en/department-finance/economic-response-plan.html>.

SUPPORT FOR INDIVIDUALS

Employment Insurance

As of September 27, 2020, individuals who were employed for at least 120 insurable hours in the last 52 weeks may be eligible for Employment Insurance (EI). The individual must have stopped working through no fault of their own and have not voluntarily quit their job. In the case of regular EI benefits, the individual must be ready, willing and capable of working each day and in the case of EI special benefits (maternity, parental, sickness, compassionate care and family caregiver benefits), temporarily unable to work while caring for another or themselves. The 52-week period to accumulate insurable hours will be extended for Canada Emergency Response Benefit (CERB) recipients. Those eligible for EI benefits will receive a minimum taxable benefit of \$500 per week, or \$300 per week for extended parental benefits.

Transitioning to EI will look different depending on whether individuals are receiving CERB benefits from Service Canada or Canada Revenue Agency (CRA). The government has confirmed that eligible individuals receiving benefits through Service Canada will be transitioned to the EI program once they have received their maximum CERB benefits. However, eligible individuals currently receiving the CERB from the CRA must apply for EI through Service Canada after September 26, 2020.

More information is available here: <https://www.canada.ca/en/services/benefits/ei/notice-covid-19.html>

Note: The [EI work-sharing program](#) provides EI benefits to eligible employees who agree to reduce their normal working hours and share the available work while their employer recovers. This measure is an agreement between eligible employers, eligible employees and the Government of Canada and is available until March 14, 2021.

The Canada Recovery Benefits Act

The following three new taxable benefit programs are in place from September 27, 2020 to September 25, 2021. Eligible individuals must be at least 15 years old, have a valid social insurance number, be resident and present in Canada and not receiving EI benefits or either of the other two benefits under this section in the same period. Eligible individuals must also have earned a minimum of \$5,000 in either 2019 or 2020, or in the 12 months preceding the first application, either from employment, EI, maternity or parental benefits or from Quebec Parental Insurance Plan (QPIP) benefits.

Note that amounts received under all three benefits are taxable and a 10% withholding tax will be applied at source. T4 slips will be issued by the CRA to recipients of these and other taxable COVID-19 benefits including tax withheld at source. Note that in

the case of the Canada Recovery Benefit (CRB), where net income (excluding the amount received for the CRB) exceeds \$38,000 in 2020 or 2021, a repayment of 50% of CRB received will be required.¹

- **The Canada Recovery Benefit (CRB)**

\$500 per week for up to 26 weeks for workers who are self-employed or are not eligible for EI and who still require income support and who are available and looking for work. This benefit will support Canadians whose income has dropped by at least 50% or have not returned due to COVID-19.

- **The Canada Recovery Sickness Benefit (CRSB)**

\$500 per week for up to two weeks, for workers who are sick or must self-isolate due to COVID-19, this benefit is available to those who contract COVID-19 and also those with underlying health conditions or other illnesses, including the flu or the common cold, that makes them more susceptible to COVID-19.

- **Canada Recovery Caregiving Benefit (CRCB)**

\$500 per week for up to 26 weeks per household, for Canadians unable to work because they are caring for children under 12, a family member with a disability or a dependent, due to closures of schools, daycares, day programs or care facilities because of COVID-19 or where a child, family member with a disability or a dependent is deemed by a medical professional to be at high risk if he or she contracts the virus and so cannot access care outside the home.

A note on penalties: Penalties in respect of these benefits may be imposed where an individual has violated eligibility rules. The penalty will not exceed 50% of the benefit that was or would have been paid as a result of committing the violation and cannot be more than \$5,000 in any event. The purpose of any penalty is to promote compliance and not to punish. As such, penalties may NOT be imposed on a person if they mistakenly believe that a representation is true or that they were eligible to receive the benefit, as the case may be.

Enhanced Canada Child Benefit

The government proposes to provide families with young children entitled to the Canada Child Benefit (CCB) with four additional payments in 2021:

- \$300 per child under the age of six to families with family net income equal to or less than \$120,000;
- \$150 per child under the age of six to families with family net income above \$120,000.

The first amount would be payable after the legislation is passed, with subsequent amounts payable in April, July and October 2021. These amounts would be payable to the primary caregiver of the child in January, April, July or October 2021. Eligibility for these quarterly amounts would be based on whether an individual is entitled to a CCB payment in that particular month. The first two amounts will be based on a family's 2019 adjusted net income. The July and October payments will be based on a family's 2020 adjusted net income.

Simplified Home Office Expense Deductions

The CRA will allow employees who worked from home more than 50% of the time over a period of at least four consecutive weeks in 2020 due to COVID-19 to claim expenses of up to \$400 based on a flat rate of \$2 for each day worked from home without the need to track detailed expenses. This simplified method will not require that employees provide a signed form from their employers.

¹ Net income, for purposes of calculating the required reimbursement, means line 23600 of the recipient's personal income tax return, which will include the CERB, CRCB and CRSB, but not the CRB itself. There will also be adjustments for split income and certain repaid amounts.

Alternatively eligible employees can choose to use the detailed method supported by actual expenses with a new simplified Form T2200S completed and signed from the employer and Form T777S. The CRA will accept electronic signature for the 2020 tax year only for this method.

More information is available here:

https://www.canada.ca/en/revenue-agency/news/2020/12/simplifying-the-process-for-claiming-a-deduction-for-home-office-expenses-for-employees-working-from-home-due-to-covid-19.html?utm_source=txtp&utm_medium=eml&utm_campaign=stkhldrwrkfrmhmxpnsqa

Reduction to Registered Retirement Income Fund Minimum Payments for 2020

Required minimum Registered Retirement Income Fund (RRIF) payments have been reduced by 25% for 2020 to provide flexibility for seniors, particularly those concerned that they would have to liquidate RRIF assets to meet minimum withdrawal requirements. Locked-in plans are subject to the same tax legislation as registered plans and the changes will also apply to life income funds (LIFs).

Income taxes are withheld at source where amounts are withdrawn from a RRIF in excess of the minimum amount. Under the new rules, investors can choose to withdraw amounts ranging between the reduced minimum and the unreduced minimum (i.e., the amount that would have been the minimum before these rules changed). For example, assume an investor's RRIF minimum for 2020, before the new rules (i.e., the "unreduced minimum") was \$1,200. The "reduced minimum" is 75% of that amount, or \$900. If total RRIF withdrawals for 2020 fall within \$900 and \$1,200, they will not be subject to withholdings at source.

More information is available here:

<https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-retirement-savings-plans-registered-retirement-income-funds-rrsps-rrifs/economic-statement-measure-annuitants-rrsp-rrif.html>

Mortgage Default Management Tools

The Canada Mortgage and Housing Corporation (CMHC) and other mortgage insurers offer tools to lenders that can assist homeowners, on a case-by-case basis, who may be experiencing financial difficulty. These include payment deferral, loan re-amortization, capitalization of outstanding interest arrears and other eligible expenses and special payment arrangements. The government, through CMHC and other mortgage insurers, is providing increased flexibility for homeowners facing financial difficulties by permitting lenders to allow payment deferral for up to six months.

SUPPORT FOR BUSINESSES

Canada Emergency Wage Subsidy

To help Canadians and businesses, the government introduced the Canada Emergency Wage Subsidy (CEWS), for qualifying businesses. CEWS is administered in a series of four-week claim periods and will run from March 15, 2020 to June 2021. The deadline to apply for any given claim period is the later of January 31, 2021, or 180 days after the end of the claim period.

Some of the details are as follows for periods 1 to 13, from March 15, 2020 to March 13, 2021 are below, noting that details for periods beginning after March 13, 2021 are still to come:

Eligible Employers

Eligible employers include individuals, taxable corporations and trusts, partnerships consisting of eligible employers, non-profit organizations and registered charities. Public institutions are generally not eligible for the subsidy. As announced on May 15, 2020, eligible employers also include the following groups:

- Partnerships that are up to 50% owned by non-eligible members;
- Indigenous government-owned corporations that are carrying on a business, as well as partnerships where the partners are Indigenous governments and eligible employers;
- Registered Canadian Amateur Athletic Associations;
- Registered Journalism Organizations; and
- Non-public colleges and schools, including institutions that offer specialized services, such as arts schools, driving schools, language schools or flight schools.

CEWS 1.0: Rules for Periods 1 to 4 (March 15 to July 4, 2020)

- Eligible employers who suffer a drop in gross revenues of at least 15% in March, or 30% in each of April, May or June would be able to access the subsidy.
- To measure the decline in revenue, an employer can compare the current month to the same month last year (e.g. March 2020 revenue vs. March 2019 revenue), if applicable, or compare the current month to an average of January and February 2020 (e.g., March 2020 revenue vs. the average revenue for Jan/Feb 2020).
- Where an employer qualifies for one period, it automatically qualifies for the next period (i.e. where March revenues declined by 15%, the employer automatically qualifies for periods 1 and 2).
- Where an employer has a choice in how to measure the decline in revenue, it must choose the same method throughout the duration of periods 1 to 4.
- The subsidy amount for a given employee on eligible remuneration paid for periods 1 to 4, would be the greater of:
 - 75% of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
 - the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee's pre-crisis weekly remuneration, whichever is less.
- A special rule will apply to employees who do not deal at arm's length with the employer. The subsidy amount for such employees will be limited to the eligible remuneration paid in any pay period between March 15 and July 4, 2020, up to a maximum benefit of the lesser of \$847 per week and 75% of the employee's pre-crisis weekly remuneration. The subsidy would only be available in respect of non-arm's length employees employed prior to March 16, 2020.
- Eligibility for the CEWS of an employee's remuneration will be available to employees other than those who have been without remuneration for 14 or more consecutive days in the eligibility period.
- For employers that are eligible for both the CEWS and the 10% wage subsidy ("Temporary Wage Subsidy") for a period, any benefit from the Temporary Wage Subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the CEWS in that same period.

CEWS 2.0: Rules for Periods 5 to 13 (July 5 to March 13, 2021)

Effective July 5, 2020, the CEWS consists of two parts:

- a **base subsidy** available to all eligible employers that are experiencing a decline in revenues, with the subsidy amount varying depending on the scale of revenue decline; and
- a **top-up subsidy** of up to an additional 35% for those employers that have been most adversely affected by the COVID-19 crisis.

Base Subsidy

The base CEWS will be a specified rate, applied to the amount of remuneration paid to the employee for the eligibility period on remuneration of up to \$1,129 per week. The maximum base CEWS rate would be provided to employers with a revenue drop of

50% or more. Employers with a revenue drop of less than 50% would be eligible for a lower base CEWS rate, summarized as follows.

	Period 5* (July 5-Aug. 1)	Period 6* (Aug. 2-Aug. 29)	Period 7 (Aug. 30- Sept. 26)	Period 8-10 (Sept. 27- Dec19)	Period 11-13 (Dec 20, 2020-Mar 13, 2021)
Max weekly benefit per employee	\$677	\$677	\$565	\$452	\$452
Revenue Drop					
50% and over	60%	60%	50%	40%	40%
0% to 49%	1.2 x revenue drop	1.2 x revenue drop	1.0 x revenue drop	0.8 x revenue drop	0.8 x revenue drop

* In Periods 5 and 6, employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75% wage subsidy if they have a revenue decline of 30% or more. As described further below (see safe harbour rule for Periods 5 and 6).

The CEWS base percentage shown in the table above will be based on the decrease in an eligible employer’s monthly revenues. To measure the decline in revenue, an employer can use either the general approach or the alternative approach and can use the current month or the previous month, summarized as follows using period 5 as an example:

- General approach – compare July 2020 vs. July 2019 **or** June 2020 vs. June 2019
- Alternative approach – compare July 2020 vs. the average for Jan/Feb 2020 **or** June 2020 vs. the average for Jan/Feb 2020.

Top-up Subsidy

From periods 5 and on, a top-up CEWS is available to employers that experienced at least a 50% drop in revenue, with maximum top-up available to employers experiencing revenue decline of 70% or more, summarized as follows:

- For periods 5-7, a top up subsidy of up to 25% is available is available to employers that experienced at least 50% drop in their average revenue for the prior three months.
- For periods 8-10, the top up rates remain the same as periods 5 -7, but the revenue decline is based on the current month’s revenue reduction. This change harmonizes the base CEWS and the top up in terms of how revenue decline is measured, with the safe harbor of using the prior three-month average if that effects a higher subsidy for the employer.
- For periods 11-13, the maximum top-up rate is increased to 35%, up from 25% for periods 5-10. The maximum top-up of 35% is available to those experiencing revenue decline of 70% or more.
- To measure revenue decline, an employer can use either the general approach or the alternative approach.

Using period 5 as an example:

- General approach – compare average of April to June 2020 vs. average of April to June 2019
- Alternative approach – compare average of April to June 2020 vs. average of January and February 2020.

Employers that have elected to use the alternative approach for the first 4 periods would be able to either maintain that election for Period 5 and onward or revert to the general approach. Similarly, employers that have used the general approach for the first 4 periods would be able to either continue with the general approach or elect to use the alternative approach for Period 5 and onward. Whichever approach they choose would apply for Period 5 and onward and would apply to the calculation of the base CEWS and the top-up CEWS.

Notable Differences Starting with Period 5

- The eligibility criteria no longer excludes employees that are without remuneration in respect of 14 or more consecutive days in an eligibility period.
- For active arm's-length employees, the amount of eligible remuneration is based solely on actual remuneration paid for the eligibility period, without reference to the pre-crisis remuneration
- There are several safe harbour and deeming rules to maximize the benefit available to employers, including continuation of certain elections available in periods 1 to 4.
- For furloughed employees for Periods 5 through 8, the calculation will remain the same as for Periods 1 to 4, which is the greater of:
 - 75% of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
 - the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee's pre-crisis weekly remuneration, whichever is less.
- For furloughed employees beginning in Period 9, the CEWS support would be adjusted to align with the benefits provided through EI. Specifically, the wage subsidy calculation for a furloughed employee would be the lesser of:
 - the amount of eligible remuneration paid in respect of the week; and
 - the greater of:
 - \$500, and
 - 55% of pre-crisis remuneration for the employee, up to a maximum \$573 for periods 9 and 10. Note that for periods 11 to 13, this maximum increases to \$590.
- The employer portion of contributions in respect of the Canada Pension Plan, EI, the Quebec Pension Plan, and the Quebec Parental Insurance Plan in respect of furloughed employees would continue to be refunded.

More information is available here:

<https://www.canada.ca/en/department-finance/news/2020/11/details-on-the-canada-emergency-wage-subsidy-extension.html>
<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html>

Note: The predecessor to the CEWS, [10% temporary wage subsidy](#) was available for employers for a three-month period from March 18 to June 19, 2020. The subsidy covered 10% of eligible remuneration for each eligible period up to a maximum of \$1,375 per employee and \$25,000 per employer. The CRA has now released [Form PD27, 10% Temporary Wage Subsidy Self-identification Form for Employers](#). Employers must complete this self-identification form for each of their payroll program accounts and the CRA will use the information on this form to reconcile the subsidy to the employer's payroll program accounts.

Canada Emergency Business Account

The Canada Emergency Business Account (CEBA) will provide loans of up to \$60,000 for qualifying businesses. Two-thirds of the loan is repaid by December 31, 2022, the remaining one-third will be forgiven. The loan is interest-free until December 31, 2022 after which it becomes a three-year term loan at 5% annual interest.

Where a business applied for the loan when only \$40,000 was available, they may apply for the \$20,000 expanded CEBA. In this example, where 75% of the first tranche is repaid by December 31, 2022 and 50% of the second tranche is repaid by December 31, 2022, the remaining is forgiven. In order to qualify the borrower must:

- Be a Canadian operating business in operation as of March 1, 2020
- Have a federal tax registration
- Have total employment income paid in the 2019 calendar year between \$20,000 and \$1,500,000 **or** have a CRA business number, filed a 2018 or 2019 tax return and have eligible non-deferrable expenses between \$40,000 and \$1,500,000. (NOTE: Eligible non-deferrable expenses could include costs such as rent, property taxes, utilities, and insurance. Expenses will be subject to verification and audit by the Government of Canada.)
- Have not previously used the CEBA and will not apply for support under the CEBA at any other financial institution

- Acknowledge its intention to continue to operate its business or to resume operations
- Agree to participate in post-funding surveys conducted by the Government of Canada or any of its agents.

Forgivable amounts are taxable in the year of receipt. The application deadline for the \$60,000 Canada Emergency Business Account (CEBA) or the \$20,000 CEBA expansion is March 31, 2021.

More information regarding the CEBA is available here:

<https://ceba-cuec.ca/>

Business Credit Availability Program

Business Credit Availability Program (BCAP) will allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide support through various credit solutions.

The program includes:

Loan Guarantee for Small and Medium-Sized Enterprises

- Through the BCAP, EDC is working with financial institutions to guarantee 80% of new operating credit and cash flow term loans of up to \$6.25 million to small and medium-sized enterprises (SMEs).
- This financing support is to be used for operational expenses and is available to both exporting and non-exporting companies.
- This support is available until June 2021.

More information is available here:

<https://www.edc.ca/en/covid-19-business-resources.html>

Co-Lending Program for Small and Medium-Sized Enterprises

- Through the BCAP, BDC is working with financial institutions to co-lend term loans of up to \$6.25 million to SMEs for their operational cash flow requirements.
- The program offers differing maximum finance amounts based on business revenues.
- Financed amount:
 - 80 % provided by BDC
 - 20 % provided by your financial institution.
- This support is available until June 2021.

More information is available here:

<https://www.bdc.ca/en/pages/special-support.aspx?special-initiative=covid19>

BDC's Mid-Market Financing Program

BDC's Mid-Market Financing Program will provide commercial loans ranging between \$12.5 million and \$60 million to medium-sized businesses whose credit needs exceed what is already available through the BCAP and other measures.

The program is available for medium-sized businesses with annual revenues in excess of approximately \$100 million to \$500 million, from any sector or industry.

This support is available until June 2021.

More information is available here:

<https://www.bdc.ca/en/pages/mid-market-financing-program.aspx>

EDC's Mid-Market Guarantee and Financing Program

EDC's Mid-Market Guarantee and Financing Program will bring liquidity to companies who tend to have revenues of between \$50 million to \$300 million, to sustain operations during this uncertain period. EDC will continue to work with Canadian financial institutions to guarantee 75% of new operating credit and cash-flow loans – ranging in size from \$16.75 million to a maximum of \$80 million. These expanded guarantees are available to exporters, international investors and businesses that sell their products or services within Canada.

More information is available here:

<https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html>

Regional Relief and Recovery Fund

The Regional Relief and Recovery Fund (RRRF) is available to help small and medium-sized businesses and organizations in sectors such as manufacturing, technology, tourism and others that are key to the regions and to local economies. The RRRF targets businesses that may require additional help to recover from the COVID-19 pandemic but have been unable to access other support measures.

More information is available here:

https://www.ic.gc.ca/eic/site/icgc.nsf/eng/h_07662.html

Canada United Small Business Relief Fund

The Canada United Small Business Relief Fund provides relief grants of up to \$5,000 to small businesses. The grant can be used for specific efforts: purchasing PPE, renovating physical spaces, or developing your website or e-commerce capabilities.

More information is available here:

<https://occ.ca/canada-united-small-business-relief-fund/>

Canada Emergency Rent Subsidy

The Canada Emergency Rent Subsidy (CERS) succeeds the Canada Emergency Commercial Rent Assistance (CECRA), which expired in September. CERS will provide rent and mortgage support until June 2021. The subsidy will be provided directly to tenants and applicants can apply directly through the Canada Revenue Agency (CRA) on a period by period basis in 4-week increments through to June 2021:

CERS Claim Periods								
Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9
Sep 27 to Oct 24, 2020	Oct 25 to Nov 21, 2020	Nov 22 to Dec 19, 2020	Dec 20 to Jan 17, 2021	Jan 18 to Feb 13, 2021	Feb 14 to Mar 13, 2021	Mar 14 to Apr 10, 2021	Apr 11 to May 8, 2021	May 9 to Jun 5, 2021

Details for the periods from September 27, 2020 to March 13, 2021 provide that the subsidy will be available on a sliding scale (with a maximum amount of 65%) for businesses that can demonstrate a revenue loss in the relevant period. An additional top-

up of 25% (maximum possible subsidy of 90%) is available for organizations temporarily shut down by a mandatory public health order issued by a qualifying public health authority. The deadline to apply is 180 days after the end of each claim period.

Details of the program for periods after March 13, 2021 are still to come, however additional detail about the program is available here: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-rent-subsidy.html>

New T4 Reporting Requirements

The CRA will require Canadian employers to provide more information on T4 slips for the 2020 tax year to verify payments made under the CERB, CEWS and CESB programs. The CRA website now states that all Canadian employers will be required to report employment and retroactive payments on the T4 Statement of Remuneration Paid slip for defined periods under new information codes:

- Code 57: Employment income – March 15 to May 9
- Code 58: Employment income – May 10 to July 4
- Code 59: Employment income – July 5 to August 29
- Code 60: Employment income – August 30 to September 26

Each period aligns with periods relating to COVID-19 benefit eligibility and pertains to the day the employee was paid, not necessarily the work the payment is in respect of. For example, if an employer is reporting employment income for the period of April 25 to May 8, payable on May 14, that information would be reported under Code 58. The new reporting requirements are in addition to the existing requirement to report employment income in Box 14 using Code 71.

More information is available here:

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/support-employers-cra-covid-19.html#howto>

WE CAN HELP

Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

[For more information, we encourage you to speak to your advisor or visit us at \[assante.com\]\(https://www.assante.com\)](#)

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